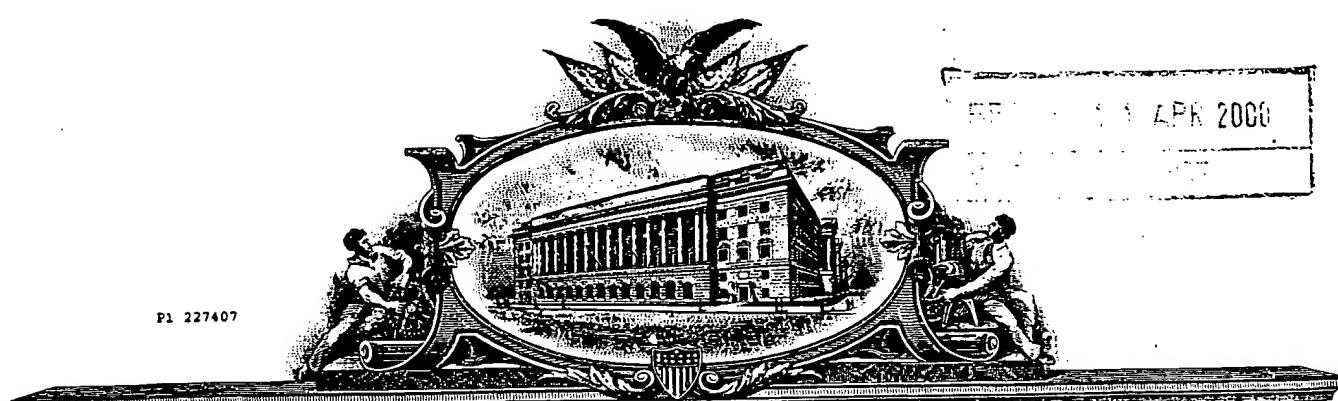


REF ID: A1144 APR 2000

P1 227407



# THE UNITED STATES OF AMERICA

**TO ALL TO WHOM THESE PRESENTS SHALL COME:**

UNITED STATES DEPARTMENT OF COMMERCE  
United States Patent and Trademark Office

April 07, 2000

THIS IS TO CERTIFY THAT ANNEXED HERETO IS A TRUE COPY FROM  
THE RECORDS OF THE UNITED STATES PATENT AND TRADEMARK  
OFFICE OF THOSE PAPERS OF THE BELOW IDENTIFIED PATENT  
APPLICATION THAT MET THE REQUIREMENTS TO BE GRANTED A  
FILING DATE UNDER 35 USC 111.

APPLICATION NUMBER: 09/250,039

FILING DATE: February 12, 1999

PCT APPLICATION NUMBER: PCT/US00/03421



By Authority of the  
COMMISSIONER OF PATENTS AND TRADEMARKS



P. R. GRANT  
Certifying Officer

## PRIORITY DOCUMENT

SUBMITTED OR TRANSMITTED IN  
COMPLIANCE WITH RULE 17.1(a) OR (b)

**CORRELATED INDIVIDUAL UNIT SALES  
PRICE REDUCTION BASED ON CUMULATIVE SALES**

5

**Field of the Invention**

This invention relates to the sale of goods and/or services through an interactive website on the Internet.

**Background of the Invention**

Numerous websites have been established on the Internet for the marketing of a wide variety of products and services. The Internet provides a medium that allows customers, including individual consumers and representatives of small and large entities, to shop conveniently from the home or office, without physically going to a store location. Consumers can shop at any time of the day, have access to a wide variety of products and services, and can purchase items either by browsing or going directly to a specific website for a particular item. Consumers purchasing products over the internet are accustomed to providing credit or debit account information and secure financial systems have been developed to insure the integrity of these financial transactions. The popularity of such on-line shopping is evidenced by the past growth and the future estimates of a significantly larger dollar volume of so-called electronic commerce.

15

20

Internet search engines are available to assist prospective purchasers in locating websites where specific products, or types of products are being offered for sale. Manufacturers and distributors of various types of products and services have provided detailed descriptions and specifications at websites which they maintain. In some cases, manufacturers and distributors provide interactive purchase order display screens that permit customers to order, confirm the availability of, and pay for products via the Internet without any direct contact with the seller's personnel.

A number of Internet marketers have succeeded by offering purchasers standard products, such as books, at a discounted price that is far below discounted prices offered at traditional book store outlets. Although the Internet marketer's lower price is based on an anticipated large volume of sale for a particular product, the discounted price is fixed and does not vary with actual volume of sales.

Although there are obvious benefits to sellers and marketers that employ the Internet, including manufacturers, regional, national or even international distributors, as well as local merchants, there is no evidence of a general practice of passing along cost-savings to individual Internet purchasers of the products or services. In fact, it appears that the general approach to the broad category of mail order shopping, of which electronic or e-mail commerce is but a sub-category, has been to offer goods at what appear to be premium department store prices and to then further enhance the cost of the goods to the purchaser by addition of shipping and handling charges which can average 15%-20%, or more, of the purchase price for individual items. In most cases, shoppers with access to larger department stores, suburban malls and manufacturer's outlet or discount shopping centers, home center stores, and the like can obtain products of

parable quality at prices less than those paid for mail ordered goods. The mail-order catalog fulfillment operation does not incur the costs of retail store leasing, fixture purchase and installation charges, sales personnel, cash registers, security, etc., and can locate its fulfillment/distribution center in relatively less costly warehouse space, staffed with less-skilled workers. In addition, the mail-order business can secure volume discounts from national shippers, and the potential avoidance of state and with the avoidance of local sales tax, the cost of getting the goods into the hands of the purchaser should be less than through the normal retail channels of trade.

It is also a common practice to provide purchasers with a discount for volume purchasing. For example, the purchaser of a container with 250 aspirin tablets pays but a tiny fraction of the per tablet cost of a package containing 25 aspirin of the same brand. Volume discounts are also granted by manufacturers to regional distributors or to national discount department stores. At present, however, there is no means by which a purchaser, whether an individual or a small business, that is interested in purchasing one or a few units of a specific item can obtain any special treatment or secure a discount from the posted purchase price.

It is therefore a principal object of the invention to provide benefits to purchasers that exceed those of the traditional marketplace.

It is another object of the invention to provide an interactive Internet website operating system that will afford consumers the opportunity to purchase one of a variety of products and/or services at a reduced price, or prices, that is based on the number of independent sales transactions for the specific product or service.

Yet another object of the invention is to provide means for managing and operating an Internet website that will lease advertising space and time, provide consumer ordering, billing and acknowledgement services, generate order price confirmation information and shipping instructions to thereby provide marketers with new opportunities to meet customer needs and generate additional sales.

5

### **Summary of the Invention**

The above objects and additional advantages will be achieved by the method and apparatus of the invention for operating a website on the Internet at which one or more products and/or services are offered for sale to consumers at an initial or base price and at one or more prospective lower prices that are correlated to or determined by the total number of sales orders for the specific product or service that are received by the seller. The discount, or reduced selling price, can be based on each individual unit sold during a given time period, or can be reduced incrementally as the number of orders received reach specified numerical levels. In order to meet reasonable consumer requirements or expectations for delivery of the product ordered, in a preferred embodiment, the information for the product will include at least one target date in the future or a time limit by which the final selling price of the product will be confirmed to the buyer.

In a preferred embodiment of the invention, the purchaser is provided with at least one option to extend the period of pendency of the order before shipment for the purpose of prospective entry of additional individual purchase orders that will further reduce the final purchase price for the product of interest. It will be understood that the establishment of a first

20

et date or time for determination of the total number of purchase orders and the correlated final sales price will be dependent upon a number of factors, including the total number of items that can be supplied from inventory or produced by the manufacturer. Alternatively, a first, second and additional target dates can be established at the outset so that predetermined, or 5 "firm" shipping dates can be elected by the purchaser.

The method of the invention can also be programmed to operate the system for the purchase of products at a special daily price if a sufficient number of orders are received, then the product will be sold at the specified lower price. In the practice of the method of this embodiment, the purchase order can be accepted with the understanding that it will be canceled if the volume of orders is insufficient to trigger the reduced final sales price and that the product will be shipped without further confirmation and the buyer billed at the end of the day, or other announced sale time.

It will also be understood that experienced manufacturers, distributors and/or marketers will have the additional advantage of being able to estimate volume and date information that will affect reduction or reductions in the price schedule. Although the seller may choose to provide this information relating to unit sales requirements or volume of sales at the website in connection with the descriptive information and sales pricing, the seller may choose not to include this in the screen display information. In a preferred embodiment, a graphic display with or without textual data is provided with the product description.

20 The invention comprehends the establishment of an interactive marketing website on the Internet and the posting to this website of displays of informational fields describing at least one, but preferably a plurality of products and/or services that are available for sale. In addition to

Appropriate pictorial representation of the product, written specifications, performance characteristics and the like, there is also displayed an initial or current selling price for each product or service. Also posted at the website in association with the product identification information is at least one lower alternative price and an associated number of prospective sales of the product that must be concluded in order for the initial or current price to be reduced to the next lower alternative price. Thus, a prospective purchaser or browser who visits the website is provided with information that establishes a direct correlation between the initial or current offering price for the product and the reduction in the price that will result from the confirmation of a specified number of prospective sales. The individual purchaser can therefore obtain the benefit of a specified quantity discount so long as the indicated number of purchase orders are confirmed in the future.

In one preferred embodiment of the invention, a time period is also established during which the required number of purchase orders must be confirmed in order to secure a specified reduction or a lower price. In another preferred embodiment, incremental increases in the number of confirmed purchase order results in corresponding incremental decreases in the eventual final sales price of the product or service.

Since most prospective purchasers will require that the product be delivered not later than a specific date in the future, the processing of purchase orders will be terminated and fixed as of the date specified.

Once the final sales price has been determined, it is entered into a data processing system and compared to all confirmed purchase orders. Purchase orders reflecting a sales price that is greater than the final selling price are sorted, and a credit for the price difference is transmitted

the purchaser's debit or credit account holder. In a preferred embodiment, a final confirmation of sale is also transmitted via e-mail, telephone, or facsimile to the purchaser. The final purchase order confirmation list is also transmitted to the fulfillment center, which may be the product's manufacturer, a regional or national distributor, wholesaler or local merchant.

5 In the event that the number of confirmed purchase orders is not sufficient to effect a reduction in the initial offering price, a notice can be transmitted to the purchaser with an option to rescind the purchase order, or to maintain the order for a further specified period of time. If the purchaser elects to rescind the order, a credit notice is transmitted to the purchaser's debit or credit account holder in the amount of the purchase price previously billed.

10 The apparatus and method of the invention further comprehend according a purchaser of multiple units shipped to the same address a reduction from the pro rata shipping charges for a single unit to the same address; and according discounts to individuals or entities whose names appear on a "membership" list and/or to repeat purchasers, i.e., to those who have completed a prescribed number of previous purchases in a prescribed period of time.

15

#### Brief Description of the Drawings

The invention will be further described with reference to the attached drawings in which: Fig. 1 is a flow chart of a presently preferred embodiment of the method of the invention; and Figs. 2-5 are schematic illustrations of website screens depicting several aspects of the invention.

20

### Detailed Description of the Invention

The description of the preferred embodiments which follow will include methods illustrated schematically in the flow chart of Fig. 1.

In the practice of the invention, the website operator or product seller will typically allocate a web page or a portion of a page to a product and will typically include a picture of the product and a description which can be in the form of text, audio and/or visual display. In the case of a product having a substantial technical specification that may be of interest to purchasers, the website can provide a hyper link to another website maintained by the manufacturer and/or distributor as part of a catalog of other products as illustrated in Fig. 1. The product descriptive page can also include information on pricing, such as the manufacturer's suggested retail price and prevailing prices at conventional retail and/or discount shopping outlets. Text and graphic or visual displays indicating the base price, target price, target date and current price can also be provided on the same page or on a separate page with the partially completed order form for the product or service. For example, the webpage can include a visual display such as that depicted in Fig. 2 which depicts a series of bar graphs reflecting time and increasing quantities purchased.

If the order form is on a separate page or is to be called up an appropriate instruction or icon is provided to guide the prospective purchaser, and to assist in completing the purchase order form. In addition to providing any necessary prompts to the buyer in order to correctly complete the purchase order, the buyer will be asked to select a target price and/or a target date for confirmation of the sale and fulfillment, and will also be asked to acknowledge the financial terms of the transaction including any non-refundable deposit, handling charges, service fees,

the like that will be billed to a debit or credit account holder. The purchaser will also be prompted to electronically store or print a record of the purchase order as completed and authorized for future reference in determining any price reductions, the status of the order and/or its fulfillment upon receipt of the product or service.

5           The website will preferably include information displays relating to the original or base sales price and the current reduced price, if any, based on orders received. This information is presented in real time so that those who have already placed purchase orders as well as prospective buyers can see what price reductions have occurred since the product was originally entered at the website and offered for sale. Pricing information can be displayed in any number of graphic forms, including bar graphs, pie charts, numerical tabulations, or the like. Target price reductions can be correlated to display an estimated date upon which the target price will be reached based upon the number of units sold; or the estimated final sales price can be provided as of the target date, where the sale will conclude on a date certain period.

15           The system can also advantageously be programmed to provide a real time graphic display at the website to display the purchase price as it may be reduced by each confirmed purchase order, or to indicate the rate at which orders are being received to achieve the next incremental price reduction. In either of the above, or in alternate displays or graphic representations of a dynamic nature, the actual number of units sold need not be disclosed, should the seller consider that to be sensitive competitive information.

20           Although it is contemplated that the invention will be practiced by the transmission of individual purchase orders directly over the Internet by consumers, orders can be placed at stores, either directly by the customer or through the intermediary of a store clerk, at kiosks,

• The like, established for the purpose, or even by telephone. It will be understood that the preferred method of establishing purchase orders will be via direct Internet connection with the consumer's computer terminal, since that mode eliminates the need for additional personnel and display and order entry apparatus.

5 The method of the invention comprehends and can accommodate a variety of payment and billing systems. In one preferred embodiment, the prospective buyer includes information identifying her credit or debit card account with the purchase order, and a "hold" of the base price or then-current reduced price is entered on the buyer's account. At such time as the final purchase price and order shipment is confirmed, the "hold" amount is replaced with a charge and fund transfer to the seller's account.

10  
15 In another preferred embodiment, a deposit in a predetermined dollar amount is charged to the buyer's credit or debit account at the time that the purchase order is processed and confirmed. Depending upon the conditions of the sale, all or part of the deposit that has been received can be made non-refundable. Establishing a non-refundable deposit can insure the seriousness of the buyer, and provide an incentive for the buyer to complete the transaction at the target date, as well as covering some or all of the seller or website operator's expenses and the profit margin on incompletely completed sales.

20 It will also be understood that payment can be accepted by check, money order, or similar instruments from the purchaser, but that the processing of such "cash" transactions will result in additional overhead charges to the seller and/or website operator. Additional processing fees can be imposed on such transactions to cover the additional costs and to encourage

- Purchasers to pay via credit or debit card accounts through which payment can be processed by computers using existing technology.

Once the purchase order form has been completed by the buyer and the acceptance of the price and terms confirmed by the buyer, the data is processed in accordance with the computer software program and transferred to various prescribed data storage areas and registries. In one preferred embodiment, the product transaction is stored in a register that can be accessed by the website operator and/or provider of the product on a real time basis so that sales data can be queried and displayed and/or reported as requested. Alternatively, the computer can be programmed to provide periodic electronic or printed reports, e.g., daily, weekly, etc., so that the product's manufacturer or distributor can timely determine the requirements and prescribed manufacturing schedule and/or shipping dates. The apparatus and method of the invention thus provides a management tool to assist in the efficient planning of inventories, manufacturing, and raw material requirements.

The fulfillment of product orders is preferably undertaken by the manufacturer, a national distributor or a regional warehouse facility by means that are, at least in part, determined by the nature of the product and the most efficient and/or cost-effective mode of delivery. Existing package delivery services such as the U.S. Postal Service, UPS, etc., provide reliable cost-effective service. These shipping charges, as well as any additional packing and handling charges can be determined at the time of the acceptance of the purchase order, e.g., by calculations based on the buyer's postal zip code. The system software identifies all purchasers associated with products having a specified target date for fulfillment and/or a target price.

- In a further preferred embodiment of the invention, the target date, whether a first, second or subsequent date, is the parameter used to initiate the fulfillment process.

According to the terms of the sale, the entry by the buyer of the purchase order may complete the transaction, with only the final sales price to be determined based on the total volume of sales within the target date. In that form of transaction, the initial or current sales price at the time the purchase order was entered, has already been held or deducted from the debit or credit account of the buyer, and where the final sales price is lower, a credit transaction is processed to the buyer's account holder.

In one embodiment, the sales transaction is contingent upon the buyer's acceptance of a final sales price, and the system transmits a message via e-mail to the buyer requesting confirmation. Alternatively, a message can be transmitted electronically to the buyer's facsimile address and/or via mail, requesting confirmation. Upon receipt of confirmation of the order at the final purchase price, the purchase order is entered on the fulfillment database and appropriate electronic and/or printed instructions are issued to the agency responsible for shipping the product. An acknowledgement can also be transmitted to the buyer with information of the expected shipping date. If no confirmation is received from the buyer within a prescribed period of time, the purchase order information is transferred to a canceled file for storage. If the terms of the transaction require a full or partial refund, an appropriate credit notice is transmitted to the buyer's credit or debit account holder, and preferably, a notice is also transmitted to the prospective buyer.

The method of the invention is based upon the principle that it is less expensive to purchase items in larger quantities than it is to purchase them individually or in smaller orders.

• The method of the invention, there is a direct correlation between the price of the item and the quantity of items ordered. The success of bulk discount shopping stores attests to the fact that there is a great demand for this type of price discount. The invention is based on the recognition that the Internet can serve as a practical means to economically offer a unique service to the public by means of specially programmed computers that would otherwise be impossible to provide. The invention differs from other quantity discount sales methods because it takes full advantage of the Internet's global commerce environment, allowing many people to take part in a unified purchasing transaction that simultaneously benefits all parties by reducing the purchase price of the product or service. Consumer, wholesaler, manufacturer and regional distributors alike all stand to profit through the practice of the invention. In the description and examples that follow, the designation *quantitydiscount.com* will be used to identify a website that exists to create a mutually beneficial commercial environment to all purchasers in the marketplace based on the principle of quantity discounts.

15

#### Determining the Discount

20

The initial offering price, as well as one or more incremental discount prices, must be determined for each product or service offered at the website. In some cases, the website operator may choose to commit to the purchase of a certain volume of goods with the expectation that they can be sold over a specified period of time at one or more incrementally discounted prices. Products in this category could include photographic film, batteries, small appliances, and the like, which are readily available from manufacturers and/or wholesalers in large volume on short notice.

Products that are not expendable and/or that are more expensive, such as power tools, home appliances, jewelry, watches and more expensive gift items which can be expected to require a longer period of time for the accumulation of a significant number of confirmed purchase orders would preferably be sold in conjunction with the manufacturer, distributor or wholesaler, which entity can establish the discount schedule and related sales volume, as well as the time period and delivery schedule. The specific information for each product and/or service is entered into the memory storage device of an appropriately programmed general purpose computer of the type conventionally employed to support an Internet website in order to provide product/service inventory information in response to inquiries received from a plurality of individual sources via the Internet. The data processing software will also include an interactive purchase order display and entry system, a debit or credit account holder billing system and an accounting system. The implementation and use of commercially available systems to support and practice the method of the invention is within the skill of a systems and software designer.

15  
16  
17  
18  
19  
20

#### The Marketers' Advantage

From a marketing perspective, the use of the method of the invention offers a significant opportunity to increase sales. At such an enormous potential for discount, there are incentives for buyers to encourage others to order through the Internet from *quantitydiscount.com* to obtain a lower price price. Creating a website where a buyer can go and be virtually guaranteed a discount will draw on consumers' desires to obtain a lower price, increasing web traffic for those value shoppers, while at the same time maintaining customer loyalty to favorite brands of

ducts and services by offering otherwise unobtainable discount are among the objects achieved by the invention.

The advance placement of orders creates a lead time that allows manufacturers and wholesalers to anticipate sales and to offer their products at a greater discount based on volume.

5 In anticipating orders and having immediate access to the status of sales, marketers have a floating sales forecast. They are able to see information simultaneously with the placement of orders, providing a continuing and ongoing status of sales in process. For example, a graphic display such as that shown in Fig. 3 can be displayed to manufacturers or other suppliers by the website operator. By being able to anticipate sales, the overhead that was previously expended to generate such sales is decreased. Marketers can accumulate orders without having to warehouse the goods for indeterminate time periods, thereby creating more efficient channels of distribution. They also have the advantage of determining their own profit margins. The cost of funds is decreased. There is no "float" money. There is less advertising, fewer personnel, less storage and less waste in the overall practice of the method of the invention as compared to existing purchasing systems.

Having a central location where these businesses can be found, and making this location user-friendly and interactive will attract a high volume of consumers with future purchases in mind. Furthermore, the inclusion of a company's product or service on the website will constitute a continuing advertisement which itself will serve as an incentive for businesses to participate in the system. The invention will serve to create a website for electronic commerce that consumers trust as reliable and reputable, where new information is added, continually

ated, and that offers the best price and quality service at a discount for a wide variety of products and services.

The apparatus for the practice of the invention includes one or more appropriately programmed computers of the type conventionally used for establishing an Internet website used for electronic commerce. Appropriate software is commercially available for transmitting appropriate purchase order forms receiving the data entered by the prospective purchaser communicating with the purchaser's credit or debit account holder and confirming the placement in terms of the order. Appropriate network servers, magnetic memory devices and processors are also commercially available and can be configured to practice the method of the invention by one of ordinary skill in the art.

### Examples

The utility and advantage associated with the invention will be apparent from the following examples. A prospective purchaser knows that she is going to purchase a compact disc player for a relative as a gift in the near future. Knowing this fact, the shopper accesses the *qualitydiscount.com* website and locates information describing the particular CD player of interest. The prospective purchaser initiates the ordering process by clicking on an appropriate icon associated with the product displayed on the screen which calls up a partially completed purchase order form upon which the remaining information is entered. The order is paid for using a debit or credit card account number and the buyer is given the option to either provide a date by which the player is to be billed and shipped, or to place a cap on the number of orders to obtain a target discount.

From the time the order is placed until the time it is billed and shipped, there will be other shoppers who have also placed orders for the same item. As more orders are placed, the price of the CD player will be reduced in accordance with a predetermined price reduction schedule. Thus, there is a direct correlation between the price reduction and orders received and confirmed. Customers are able to check the status of their order via the Internet whenever they choose merely by accessing the website. As the orders are registered, the data processing system will, when queried, calculate and display the discount, which the shopper can compare to the original retail or initial offering price, thereby determining then-current savings. In accordance with existing interactive telephone systems, a toll-free number can be provided so that customers can determine current price information in response to, e.g., entry of a product and/or purchase order identification number.

Another class of goods and services for which the invention will satisfy a very practical consumer's need is the purchase of seasonal items, such as gas grills, skis, ski resort passes, and the like. Consumers generally know well in advance that they will be buying such seasonal goods and services. Products are offered and orders are placed early in the year for outdoor gas grills in anticipation of summer barbecues; order periods for winter sports items and services scheduled in advance of winter gift-giving holidays and vacations. An example of an element of a graphic screen display for use in a sale event for a gas barbecue grill is shown in Fig. 5. A similar display can be adapted for use with other products and/or services posted at the website to rapidly convey information to purchasers. In these instances, purchasers have the greatest potential for taking advantage of a volume-based discount on commonly purchased

seasonal items. The same applies for holiday decorations, snow removal equipment, leaf blowers, and the like.

Another area of interest to a specific class of consumer is that of college textbooks, and other standardized educational materials. College texts are typically expensive and the publication of new editions creates a high turnover, leaving little market for used books and few opportunities for discounts. For example, while a student in New Jersey and a student in California could have a need for a new edition of a standard physics text, if each student were to go to a bookstore to purchase the book on her own, there would be no discount obtainable from the posted retail price. However, if at the release of the syllabus, a student placed an order on the Internet for the upcoming fall classes, all other students ordering the same book through the discount website practicing the invention will bring the cost of the text down for all of the book's purchasers.

Some examples of consumer service providers that can benefit from the practice of the invention are lawn services, landscaping services, chimney sweeping services, moving services and routine maintenance services. A customer may purchase ongoing service packages offered at quantity discounts in a particular area. If a purchaser is interested in signing up for installation of television cable service, that person would sign up for it on the website and obtain a specified discount as the cable company arranged to make the installation on a particular day or during a time period when it would provide the service for all of the subscribers in that neighborhood.

There is a particular advantage to a business purchaser that can anticipate well in advance that an item must be ordered and ready by a specific date. Small businesses or companies with

• Otherwise poor purchasing power and tight budgets can obtain an obvious cost advantage with quantity discounts. For example, the owners of a popular Italian restaurant forecast their sales into the upcoming fiscal year, and determine that they will be selling 10,000 take-out pizzas. Instead of ordering through a wholesaler, the restaurant purchaser would place its order on the Internet along with potentially thousands of other pizzeria owners who are also ordering for the 5 upcoming year and generate a discount via their common need and purchase orders for pizza boxes. Deliveries by the manufacturer is scheduled on a periodic basis, e.g., quarterly, with monthly payments being made. The benefit of volume buying discounts works for all types of business enterprises, and in many instances can present smaller companies with an opportunity to "even the playing field" with their larger competitors.

10 Other classes of purchasers, such as individual municipalities can obtain price reductions on orders for standard items, e.g., orange safety cones for new construction projects. Stop signs and street lights, concrete and reflective material can be purchased at a discount when combined with time-based orders from other municipalities, permitting smaller governmental agencies or units to obtain savings that otherwise could not be negotiated with suppliers.

15 Other examples of types or classes of purchasers that can take advantage of the method of the invention are hospitals, churches, schools, printers, government agencies, nurseries, factories, newspapers, malls, agencies, farms, grocery stores, pharmacies, gas stations, airlines, car dealers, painters, construction firms, beauty parlors and book stores/newsstands.

20 In another embodiment of the method and apparatus of invention, the website is established to include a registry for suppliers of specialized products or services to fulfill purchase orders in relatively small cells or geographic regions. This embodiment is conveniently

• [REDACTED] by the following example which also describes a seasonal product and service that will be of interest in consumers residing in predetermined geographical areas. In this example, the product and service is the delivery of firewood in a specified unit, i.e., a cord of wood. Various types of wood, e.g., pine, oak, etc., can form subclasses of the product. The economics of handling and distribution dictate relatively small geographic areas over which a particular supplier can provide the service. The Internet operator therefore solicits suppliers at its website that will undertake to service a specified area. This information is entered into a supplier's database, along with minimum pricing and volume requirements and capabilities.

Fireplace wood can be posted to the website at any time in advance of the heating season with fulfillment target dates being established in relation to average temperatures in particular geographic areas. In the event of wide price variations in and among the geographical areas, the market can be subdivided and individual purchase orders processed according to postal zip codes. In this example, large volumes of orders that an individual local business might not be in a position to supply can be satisfied by truckload deliveries of the required product to the local distributor based upon advance orders. As will be appreciated by one familiar with this particular type of business, no current basis exists for this level of accuracy in determining the quantity requirements for a consumable product such as firewood.

It will also be understood from this example that an individual purchase order that includes multiple cords of wood delivered to a single address can be accorded a further discount from the shipping or delivery charges, which will have the effect of lowering the overall unit price for each cord of wood.

Another example of the practice of the invention which will provide benefits and advantages not only to individual purchasers, but to the provider of the product and service is the delivery of one or more gifts for a specific holiday occasion that is chosen from a selection of traditional gifts. Valentine's Day is reported to be the single largest occasion for the giving of roses. Because of the perishable nature of this product, and the fact that buyers want the product delivered on the same day, premium prices for the product and the delivery service are the rule. By employing the method of the invention, individual orders can be placed well in advance of the February 14th holiday and nationwide orders received at a single location can be continuously sorted and allocated to regional and local flower distributors and delivery services in order to obtain efficiencies of scale and in the planning of deliveries which obviously require considerable coordination. Also, since the final purchase price will likely be determined well before the holiday, the final confirmation from the buyer can be obtained and the distribution and delivery schedule can be completed in a particularly orderly fashion well before the holiday period. Shown in Fig. 4 is a graphic data display used for correlating the incremental price reductions and reduced prices based upon the quantity of the orders received over time.

The method and apparatus of the invention is also especially suited for the sale of less expensive consumer items such as batteries and photographic film under the terms of a sale transaction that has a very short duration. For example, the sale period can be one day -- or it can be measured in hours or even minutes -- with fulfillment shipments being undertaken during the night or the following day. In accordance with a preferred method, the price at the beginning of the day is reduced incrementally as new purchase orders are received and the reductions in price are posted in ten cent, five cent, or even one cent increments. In the sale

products having a nominal value, such as batteries, film and the like, no subsequent confirmation of the order at the final purchase price will be required and all information will be held until the end of the day or other shortened buying period, to determine the final price; thereafter all orders for that day are batch-processed and billed to the individual buyer's credit or debit card holder's account.

Another preferred embodiment of the apparatus and method of the invention includes the establishment of a "preferred purchaser" data list in a memory device. One form of preferred purchase list is a membership list in which members are identified either by their names or, preferably, by an identification number such as an individual's social security number or a legal entity's federal tax identification number or EIN. In the practice of this embodiment, the website can display a different lower price or percentage of price reduction that will be afforded to preferred purchasers who are members. Many discount retailers have established membership fees and require all purchasers to identify themselves by displaying a membership card, which membership can only be maintained by payment of an annual fee; non-members are not allowed to make purchases. Unlike the existing practice in the discount retail store, the method of the invention comprehends the acceptance of purchase orders from members and non-members alike, with members being afforded a lower price. In the practice of the invention, the purchase order includes a data entry position relating to membership status, which is verified by comparing the purchase order data with a membership list maintained in a data storage register. If membership is verified successfully, this status is maintained in the purchase order data file and at the time of confirmation and/or final billing the lower member's price is identified for billing.

20

In yet another preferred embodiment of the invention, a database is maintained of the names and/or identification numbers associated with purchase transactions that were completed in a past period of time. When purchaser identification data from a new purchase order is received by the website server, it is compared to the database of prior purchasers during the prescribed past period of time, e.g., twelve months. The system is programmed to display a current purchase price to a particular "preferred purchaser" that may be lower than the then-current general posted purchase price that appears at the web site, the lower price being based upon the number and/or dollar volume of previous completed purchases by the particular purchaser within the prescribed time period. In the practice of this embodiment, the frequent purchaser is provided with an additional incentive in the form of a further discounted price afforded to preferred purchaser. This method can be applied to the embodiment where membership status affords the purchaser with a lower current price, whereby the member who is also a frequent purchaser receives a greater reduction in the final price than a non-member or another member who does not meet the prescribed requirements of a frequent purchaser.

I claim:

1. A method of offering a product or service for sale over the Internet at a sales  
5 price to an individual purchaser of the product or service that is variable in response to total  
sales of the product or service by all purchasers of that product or service, the method  
comprising:

- a. providing an interactive marketing website on the Internet supported by computer processor means for processing data transmitted by visitors to the website and by data storage means associated with the processor means;
- b. entering data in the data storage means that includes descriptive information for one or more products and/or services which data can be displayed as a product informational field;
- c. displaying an informational field describing at least one product or service  
15 that is available for purchase by visitors to the website;
- d. displaying initial current sale price information for the at least one product or service;
- e. establishing at least one first alternative price that is lower than the current  
20 price and an associated number of prospective sales that must be completed to effect a sale at the first alternative price;

f. displaying the at least one first alternative price and displaying a graphic representation of the associated number of prospective sales of the at least one product or service that must be concluded in order for the at least one product or service to be sold for the at least one first alternative lower price;

25 g. recording and processing purchase order data transmitted by visitors to the website that are purchasers of the at least one product or service;

h. processing the purchase order data to maintain a cumulative total of actual sales for each of the at least one product or service;

i. comparing the cumulative total of actual sales of the at least one product or service with the associated number of prospective sales for the at least one product or service; and

j. changing the current price information displayed for the at least one product or service to the first alternative lower price if the number of actual sales equals the associated number of prospective sales.

2. The method of claim 1 which further comprises the steps of:

k. displaying at least one second alternative price that is lower than the first alternative price and displaying a graphic representation of second associated prospective number of sales of the at least one product or service that must be concluded in order for the at least one product or service to be sold at the second alternative lower price.

3. The method of claim 2 which comprises the further steps of:

l. displaying a subsequent alternative price that is lower than the current price and displaying a graphic representation of a subsequent associated number of sales of the

at least one product or service that must be concluded in order for the at least one product or service to be sold for the subsequent alternative lower price; and

m. repeating steps h, i and l;

4. The method of claim 1 that comprises the further steps of:

displaying a specified period of time during which the at least one product or service will be offered for sale;

terminating the processing of purchase order data in step h at the end of the specified period of time; and

transmitting to the purchasers confirmation of the purchase orders at a final sales price of the at least one product or service where the final sales price corresponds to the current price displayed at the end of the specified period of time.

5. The method of claim 1 which comprises the further steps of displaying a purchaser order data entry screen to visitors who indicate their status as prospective purchasers.

6. The method of claim 5 where the purchase order data includes data identifying a credit or debit account and account holder of the prospective purchaser and in which the processing of step h further comprises:

transmitting purchaser order data to the prospective purchaser's credit or debit account holder;

receiving and processing account status data received from the prospective purchaser's account holder;

displaying either a purchaser order confirmation screen or a transaction termination screen to the prospective purchaser.

- 00000000000000000000000000000000
7. The method of claim 6 which further comprises:  
transmitting to the prospective purchaser's credit or debit account holder a billing confirmation for all or a portion of the current price for the at least one product or service included in the purchase order data;  
transmitting at a later time to the credit or debit account holder an account transaction credit in an amount representing the difference between the current price at the time the purchase order data was processed and the subsequent lower final sales price.
8. The method of claim 1 which further comprises the steps of:  
transmitting completed purchase order data to a fulfillment distribution point.
9. The method of claim 8 where the fulfillment distribution point is a manufacturer of the at least one product purchased.
10. The method of claim 8 where the fulfillment distribution point is a regional distributor of the at least one product purchased.
11. The method of claim 4 where the specified period of time is at least one month.
12. The method of claim 11 where the specified period of time is at least three months.
13. The method of claim 4 which comprises the further steps of:  
transmitting to the purchaser of the at least one product or service at a final sales price that is the same as the initial current price an optional sales cancellation notice;  
receiving, recording and processing data from the purchaser that cancels the purchase order; and

transmitting to the purchaser's debit or credit account holder an account transaction credit in the amount of the initial current price for the at least one product or service in response to receipt of the sales cancellation data from the purchaser.

14. A method of marketing and selling a product or service by way of the Internet where the sales price of the product or service to each purchaser is incrementally reduced from an initial offering price to a lower final offering price in response to the total sales to all purchasers of the product or service, the method comprising:

- a. posting a product or service identification informational display at an interactive marketing website on the Internet, where the identification information displayed includes an initial offering sales price, at least one alternative sales price that is less than the initial offering sales price, and a graphic display corresponding to the prospective number of units that must be sold through the website so that all sales will be concluded at the lower at least one alternative sales price;
- b. periodically posting to the website an informational graphic display corresponding to the total number of confirmed product orders received for a product or service; and
- c. reducing the sales price for all purchasers of the product or service when orders for the prospective number of units are received.

15. The method of claim 14 where the prospective number of units that must be sold is one.

16. The method of claim 15 where a plurality of alternative sales prices are posted and the incremental differences between the alternative sale prices are directly proportional to the number of units sold.

17. The method of claim 14 where the product or service identification information display includes a purchasing event start time for the receipt of orders from prospective purchasers of a product or service and a completion time after which orders will not be accepted, which method includes the further step of displaying on the website the time remaining for the purchasing event in association with the product or service.

18. The method of claim 14 which comprises:

providing a dedicated terminal that includes data transmission and display means, said terminal having direct Internet access to the interactive marketing website;

receiving a purchase order from a prospective purchaser via the dedicated terminal;

processing the purchaser order; and

transmitting a purchase order confirmation acceptance notice to the prospective purchaser.

19. An improved data processing system for administering an interactive marketing website on the Internet, where one or more products and/or services are offered for sale to purchasers based on identifying informational postings on the website during a sale event and sale transactions are completed on the basis of electronic purchase order data transmitted by the purchaser to the website, where the system improvement comprises:

means for posting an initial current sales price for each of the one or more products and/or services offered for sale;

means for posting at least one alternative sales price that is lower than the initial current sales price for each of the one or more products and/or services offered for sale;

5 means for storing data corresponding to a predetermined prospective sales number of each of the one or more products and/or services offered that must be sold to effect a change in the posted initial current sales price to each of the posted at least one alternative sales price;

means for comparing the number of purchase orders received for each of the one or more products and/or services offered to the predetermined prospective sales number of each of the one or more products and/or services offered;

means for identifying the lower alternative sales price as the current sales price on the informational posting when the number of purchase orders received corresponds to the predetermined prospective sales number for each of the one or more products and/or services offered.

20. The data processing system of claim 19 which further comprises:

means for defining a final sale price event for each of the one or more products and/or services offered; and

means for terminating the processing of purchase order data after the occurrence of the event.

21. The data processing system of claim 20 where the final sale price event is a predetermined date and time that is after the date and time of the informational posting on the

site of the identification for each of the respective one or more products and/or services offered for sale.

22. The data processing system of claim 20 where the final sale price event is the receipt of purchase orders for a predetermined number of the product or service.

23. The system of claim 19 which further comprises:

providing data storage means containing preferred purchaser identification data; means for comparing purchaser identification data derived from the purchase order received during the sale event with the preferred purchaser identification data to determine whether a match exists;

means for transmitting a price for display to the preferred purchaser that is lower than the currently posted sales price posted at the website when a match exists.

24. The system of claim 23 where the preferred purchaser identification data is a membership list of entities that have paid dues during a prescribed period of time.

25. The system of claim 23 where the preferred purchaser identification data is a list of purchasers who have previously completed sales transactions in a predetermined period of time.

26. The system of claim 23 where the preferred purchaser identification data comprises associated purchase data for each purchaser for a predetermined period of time.

**ABSTRACT**

An interactive website on the Internet posts information regarding products and services, each product or service being offered for sale at an initial offering price with at least one lower alternative sales price, which can become the final sales price, being posted. The applicability of the lower price is contingent upon the confirmation of a specified number of prospective sales for that product or service. Confirmed individual purchase orders are cumulatively totalled over time to effect incremental cost reductions for the entire class of purchasers of a given product or service, or for a group of related products or services. The purchaser's credit or debit account holder is billed for all or a portion of the purchase price posted at the time the purchase order is confirmed; if the final sales price is lower than the amount previously billed, the purchaser's credit or debit account holder is issued a credit for the difference. Fulfillment of the confirmed purchase orders is preferably effected from inventory held by the product's manufacturer, a regional distributor of the product or a merchant dealing in the product, thereby further reducing the costs' associated with each individual sale.

203,969:02/10/99

## UNITED STATES

PATENT APPLICATION DECLARATION AND POWER OF ATTORNEY - ORIGINAL APPLICATION	ATTORNEY'S DOCKET NO. 203_969
--------------------------------------------------------------------------------	----------------------------------

(1) TITLE OF INVENTION

As a below named inventor, I hereby declare that:

My residence, post office address and citizenship are as stated below next to my name:

I verily believe I am the original, first and sole inventor (if only one name is listed below) or a joint inventor (if plural inventors are named below) of the invention entitled

(1) CORRELATED INDIVIDUAL UNIT SALES  
PRICE REDUCTION BASED ON CUMULATIVE SALES

the specification of which

(2) CHECK APPROPRIATE BOX

(2)  is attached hereto. was filed on \_\_\_\_\_ as Application No. \_\_\_\_\_

and was amended on \_\_\_\_\_ (if applicable).

I hereby state that I have reviewed and understand the contents of the above identified specification, including the claims, as amended by any amendment referred to above.

I acknowledge my duty to disclose information of which I am aware which is material to the patentability of this application under 37 CFR 1.56(a): the invention has not been patented or made the subject of an inventor's certificate issued before the date of this application in any country foreign to the United States of America on an application filed by me or my legal representatives or assigns more than twelve months prior to this application; and as to applications for patents or inventor's certificate on the invention filed in any country foreign to the United States prior to this application by me or my legal representatives or assigns.

(3) CHECK APPROPRIATE BOX

(3)  no such applications have been filed, or such applications have been filed as follows:

(4) COMPLETE DATA INDICATED IF APPLICABLE

EARLIEST FOREIGN APPLICATION(S), IF ANY, FILED WITHIN 12 MONTHS PRIOR TO THIS APPLICATION				
Country	Application Number	Date of Filing (day, month, year)	Date of Issue (day, month, year)	Priority Claimed Under 35 USC 119
(4)				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
ALL FOREIGN APPLICATIONS, IF ANY, FILED MORE THAN 12 MONTHS PRIOR TO THIS APPLICATION				
(4)				

I hereby claim the benefit under Title 35, United States Code § 120 of any United States application(s) listed below and, insofar as the subject matter of each of the claims of this application is not disclosed in the prior United States application in the manner provided by the first paragraph of Title 35, United States Code, § 112. I acknowledge the duty to disclose material information as defined in Title 37, Code of Federal Regulations, § 1.56(a) which occurred between the filing date of the prior application and the national or PCT international filing date of this application.

(5) COMPLETE DATA INDICATED IF APPLICABLE

(5)

(Application Ser. No.) (Filing date) (Status: patented, pending, abandoned)

(5)

(Application Ser. No.) (Filing date) (Status: patented, pending, abandoned)

Power of Attorney: As a named inventor, I hereby appoint the following attorney(s) and/or agent(s) to prosecute this application and transact all business in the Patent and Trademark Office connected therewith.

Jeffrey A. Schwab, Registration Number 24,490  
Stewart J. Fried, Registration Number 20,694  
Jay S. Cinamon, Registration Number 24,156  
Dennis A. Mason, Registration Number 19,571

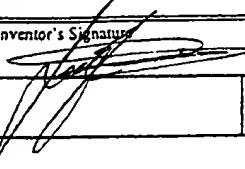
Michael I. Markowitz, Registration Number 30,659  
Thomas E. Spath, Registration Number 25,928  
Joseph J. Catanzaro, Registration Number 25,837  
Anthony Coppola, Registration Number 41,493

Send Correspondence To:  
Abelman, Frayne & Schwab  
150 East 42<sup>nd</sup> Street  
New York, New York 10017-5612

Direct Telephone Calls To:  
Jeffrey A. Schwab, Stewart J. Fried, Jay S. Cinamon,  
Dennis A. Mason, Michael I. Markowitz,  
Thomas E. Spath, Joseph J. Catanzaro  
or Anthony Coppola at (212) 949-9022

I hereby declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further that these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment or both under Section 1001 of Title 18 of the United States Code and that such willful false statements may jeopardize the validity of the application or any patent issued thereon.

(6) DETAILS  
REQUIRED  
FOR EACH  
INVENTOR

Full Name of Sole or First Inventor <b>James Grossman</b>	Inventor's Signature 	Date <b>2/12/99</b>
Residence <b>9 Woodland Drive</b>	Citizenship <b>USA</b>	
Post Office Address <b>Westport, Connecticut</b>		
Full Name of Second Joint Inventor, If Any	Inventor's Signature	Date
Residence	Citizenship	
Post Office Address		
Full Name of Third Joint Inventor, If Any	Inventor's Signature	Date
Residence	Citizenship	
Post Office Address		
Full Name of Fourth Joint Inventor, If Any	Inventor's Signature	Date
Residence	Citizenship	
Post Office Address		
Full Name of Fifth Joint Inventor, If Any	Inventor's Signature	Date
Residence	Citizenship	
Post Office Address		
Full Name of Sixth Joint Inventor, If Any	Inventor's Signature	Date
Residence	Citizenship	
Post Office Address		

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

APPLICANT : James Grossman

SERIAL NO. : EXAMINER :

FILED : GROUP NO. :

FOR (TITLE) : CORRELATED INDIVIDUAL UNIT SALES  
PRICE REDUCTION BASED ON CUMULATIVE SALES

VERIFIED STATEMENT AS SMALL ENTITY

Hon. Commissioner of Patents and Trademarks  
Washington, D.C. 20231

SIR:

The undersigned declare(s):

Exclusive rights in the above-identified invention reside in the "small entity" defined and named below, and "small entity" fees are appropriate. Qualification as a small entity is based upon the following:

INDEPENDENT INVENTOR

An independent inventor is any inventor who:

- 1) has not assigned, granted, conveyed, or licensed, and
- 2) is under no obligation under contract or law to assign, grant, convey, or license any rights in the invention to any person who could not likewise be classified as an independent inventor if that person had made the invention, or to any concern which would not qualify as a small business concern or a non-profit organization as defined in Rule 1.9.

SMALL BUSINESS CONCERN

A small business concern is defined as a business concern:

- 1) whose number of employees, including those of its affiliates, does not exceed 500 persons, and
- 2) which has not assigned, granted, conveyed, or licensed, and is under no obligation under contract or law to assign, grant, convey or license, any rights in the invention to any person who could not be classified as an independent inventor if that person had made the invention, or to any concern which would not qualify as a small business concern or a nonprofit organization as defined in Rule 1.9. Concerns are affiliates of each other when, either directly or indirectly, one concern controls or has the power to control the other, or a third party controls or has the power to control both. The number of employees of the business concern is the average over the fiscal year of the persons employed during each of the pay periods of the fiscal year. Employees are those persons employed on a full-time, part-time or temporary basis during the previous fiscal year of the concern.

## NONPROFIT ORGANIZATION

(Check additional applicable box)

A nonprofit organization is defined as:

1) a university or other institution of higher education located in any country; or

2) a organization of the type described in section 501(c)(3) of the Internal Revenue Code of 1954  
(26 U.S.C. 501(c)(3)) and exempt from taxation under Section 501(a) of the Internal Revenue Code  
(26 U.S.C. 501(a)); or3) any nonprofit scientific or educational organization qualified under a nonprofit organization  
statute of a state of the United States (35 U.S.C. 201(i)); or4) any nonprofit organization located in a foreign country which would qualify as a nonprofit  
organization under paragraphs (e)(2) or (3) of Rule 1.9 if it were located in the United States.

I hereby declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further that these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code and that such willful false statements may jeopardize the validity of the application or any patent issued thereon.

James Grossman  
(Print or type name of small entity)

(Signature and title of person authorized  
to act on behalf of small entity)2/12/99

(Date)

9 Woodland Drive  
(Address)

Westport, CT 06880

- \* If "small entity" is more than one inventor or a combination of "small entities", add name(s), address(es) and signature(s) of other parties below. Please include date.

Full Name of Second Joint Inventor, If Any	Inventor's Signature	Date
Residence	Citizenship	
Post Office Address		
Full Name of Third Joint Inventor, If Any	Inventor's Signature	Date
Residence	Citizenship	
Post Office Address		
Full Name of Fourth Joint Inventor, If Any	Inventor's Signature	Date
Residence	Citizenship	
Post Office Address		

ABELMAN, FRAYNE &amp; SCHWAB

150 East 42nd Street, New York, New York 10017-5612

(page 2 of 2)

**Figure 1**  
**Flow Chart**

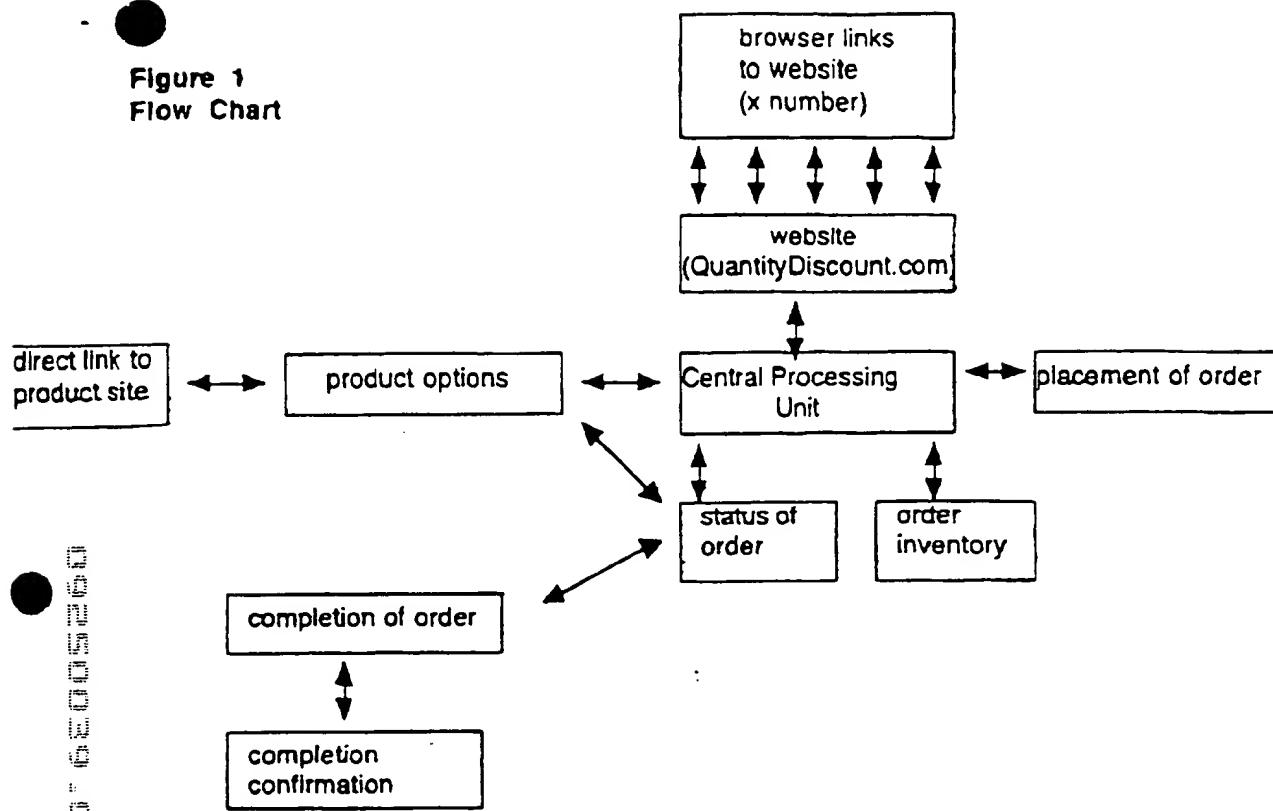
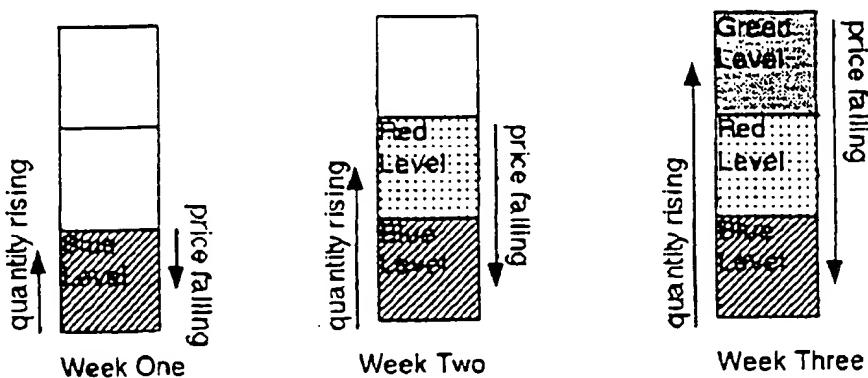


FIG. I



-  Blue Level - minimum quantities, entry level pricing
  -  Red Level - increasing quantities, decreasing pricing
  -  Green Level - additional quantities, further decreasing pricing

#### **Relationship between purchase price and current price reduction.**

FIG. 2

Quantity Discount. com

00000000000000000000000000000000

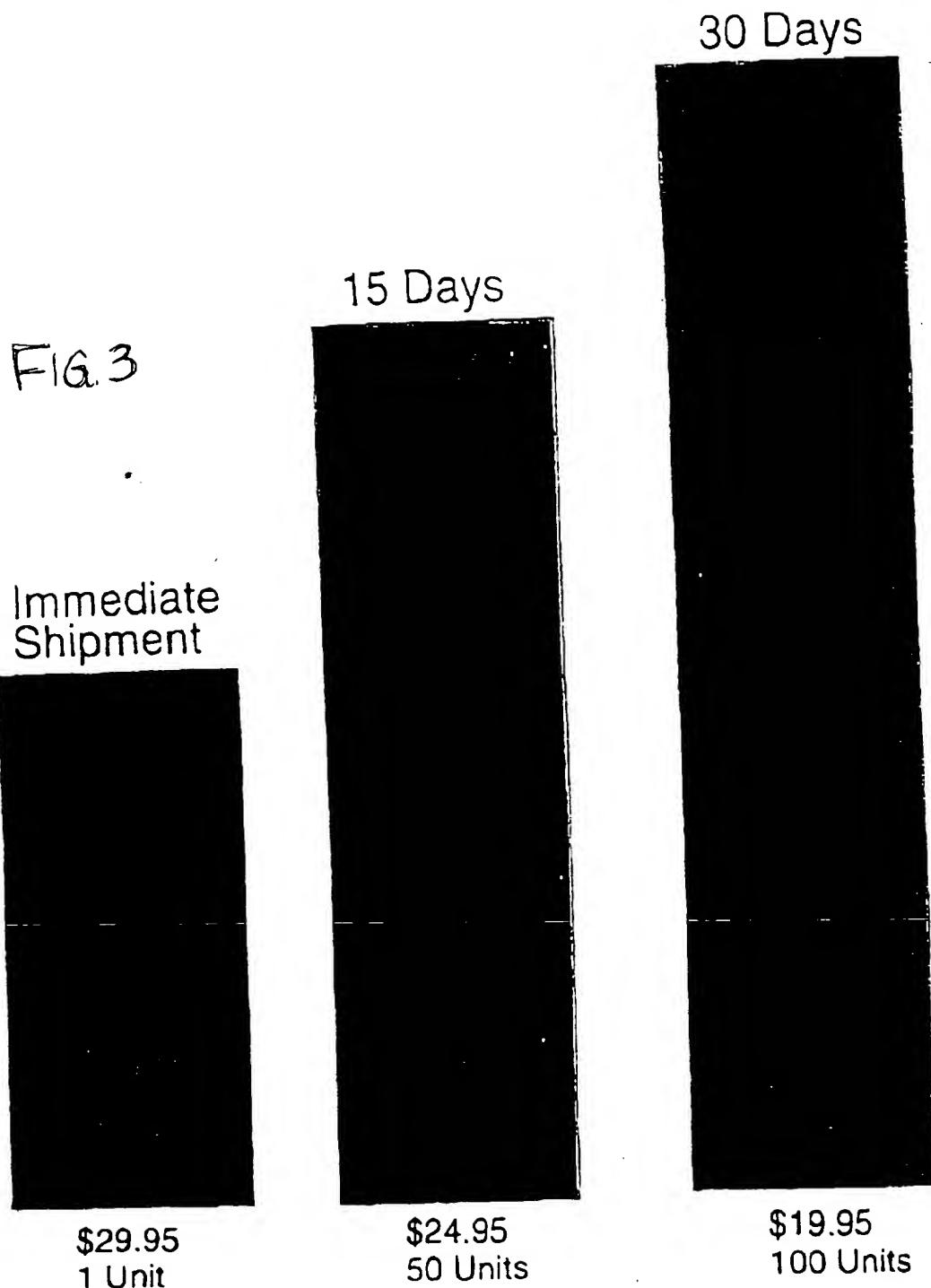
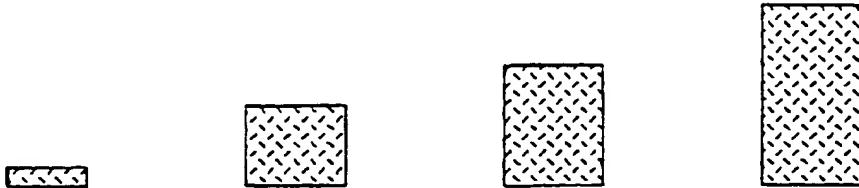


FIG. 3

QuantityDiscount.com

**Valentine's Day Flowers**

**Quantity to Price Ratio**



Quantity: 1 Order  
Price: \$39.99  
Date: 1/25/99

Quantity: 30 Orders  
Price: \$32.50  
Date 2/1/99

Quantity: 37 Orders  
Price: \$27.29  
Date: 2/8/99

Quantity: 50 Orders  
Price: \$17.47  
Date: 2/13/99

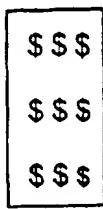
FIG. 4

...QuantityDiscount.com

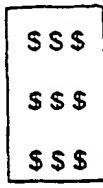
Gas Grills  
Price to Quantity Ratio



Price: \$400  
Quantity: 1  
Date: 1/1/99



Price: \$372  
Quantity: 16  
Date: 2/1/99



Price: \$370  
Quantity: 22  
Date: 3/1/99



TARGET  
PRICE  
Price: \$362-\$370  
Quantity: 30  
Date: 4/1/99

FIG. 5

DISCOUNTS - QUANTITY DISCOUNTS